

Report subject	SEND Budget Pressures
Meeting date	16 July 2025
Status	Public
Executive summary	This paper provides the 2024/25 outturn for the Dedicated Schools Grant (DSG) high needs block, budget agreed for 2025/26 and actions being undertaken to manage the budget within a challenging national framework. The outturn for 2024/25 was high needs expenditure of £111.9m compared with funding of £62.0m (a DSG funding gap of £49.9m) This was £5.3m more than reported to Cabinet in February 2025. There were some non-recurring payments made in the final months of the year that had not been included in the forecast but some of the increase is likely to be ongoing as more young people were being supported by the high needs budget by March 2025 than had been expected. The high needs budget for 2025/26 was set with the expectation that the annual funding gap would grow to £57.5m as demand growth was expected to continue to outstrip funding growth. There are initiatives in the SEND improvement plan (some being invest-to-save) that should have an impact on the high needs budget over time, and these are set out in this report. Work is in progress to establish the expenditure forecast outturn for 2025/26. Placements for the new academic year are in the process of being finalised for those new in the system, at transition ages, or requiring a change for other reasons. The forecast will also be updated to reflect progress on service initiatives currently underway or being developed.
Recommendations	It is RECOMMENDED that Cabinet: Note the contents of the report.
Reason for recommendations	This is an information report
Portfolio Holder(s):	Richard Burton, Portfolio Holder for Children's Services
Corporate Director	Cathi Hadley, Corporate Director for Children's Services
Report Authors	Lisa Linscott, Director for Education and Skills lisa.linscott@bcpcouncil.gov.uk Nicola Webb Assistant Chief Finance Officer nicola.webb@bcpcouncil.gov.uk

Wards	Council-wide
Classification	For Information

Background

1. Education provision for children with high needs, excluded from mainstream schools or otherwise unable to attend school are funded through the ring-fenced dedicated schools grant (DSG) high needs block. Eligibility includes for young adults up to the age of 25 with an education, health and care plan (EHCP).
2. The national shortfall in funding for high needs has been well-documented with many councils, including BCP Council, incurring significant and growing accumulated deficits.
3. The Local Government and Social Care Ombudsman Triennial Review November 2024 cited the system as “not working for children, families or local authorities: resources are a challenge, many organisations lack vital staff and, in many areas, suitable and affordable support does not exist.”
4. The Chartered Institute of Public Finance and Accountancy (CIPFA) in February 2025 published a report ‘Reforming SEND finance: meeting need in a sustainable system’. It outlined five principles to create a simpler, fairer, and financially sustainable system that meets the needs of children and young people with SEND. The report offers a roadmap for reform that prioritises improved outcomes while addressing systemic financial challenges.
5. A Local Government Association report in July 2024 called it “an incoherent system that inadvertently perpetuates tension, creates adversity and sets everyone up to fail”.
6. The government has recognised that the SEND system needs to change, and plans are to be set out in a Schools White Paper in the autumn. These will take time to be implemented and proposals concerning how councils are to be supported in the meantime will also be set out in the autumn, as part of the local government provisional finance settlement.
7. The impact of the Children and Families Act 2014 and associated changes to the Special Educational Needs and Disabilities (SEND) Code of Practice is still growing, due to the statutory requirement to extend EHCP support to age 25 since that time.
8. The number of children requiring an EHCP across England has increased by 140% between 2014 and 2023, with the cost of provision going up by 59%. This rise in pupils with EHCPs has been driven by three specific types of needs: autistic spectrum condition (ASC); social, emotional and mental health needs (including ADHD); and speech, language and communication needs. This aligns with findings in BCP Council.
9. In this climate of increasing numbers of requests for EHCPs and a legal framework which sets a low bar for statutory assessment being required, there has therefore also been a significant increase in tribunals, a very high percentage of which nationally are lost by local authorities. In BCP Council there has been a 46.8% increase in the number of tribunal appeals since 2023 – 24 (75 to 141). However, the national comparator is a 57% rise.

10. The government's own forecasts suggest annual spending on high needs will rise by at least £2–3 billion between 2024–25 and 2027–28, which largely reflects projected increases in EHCPs and need over the next few years.
11. The historic trajectory of expenditure growth in BCP was budgeted to be curtailed for 2024/25. This was based on the slowdown in demand being experienced over autumn 2023 and the initiatives being planned through the development of the 15-year deficit recovery plan. In the event, the slowdown in demand was short lived, and the development of the inclusion fund and wider children's services improvements took longer than expected with little financial benefit in the year.
12. A summary of the budget movements for 2024/25 reported to Cabinet is as follows:
 - a. February 2024 budgeted high need funding gap of £28.1m and accumulated deficit of £91.6m
 - b. 2 October 2024 reported increase in funding gap by £16.5m to £44.6m and an accumulated deficit of £108.1m
 - c. July 2025 outturn report includes further increase in the funding gap of £5.3m to £49.9m for the high needs block and an accumulated deficit of £113.3m (small offset of £0.1m from the other DSG funding blocks).
13. The 2 October 2024 Cabinet report considered options to restrict expenditure in breach of statutory duties, but these were rejected with reliance to reduce future spending placed instead on the SEND improvement plan, which was formulated in response to the statutory notice to improve.
14. A key aim of the improvement plan was to rapidly improve the timeliness in servicing new assessments at 20 weeks (the statutory expectation). This was achieved with 97% of plans meeting the statutory timescale noted in the November report (compared with no plans within this timescale in August 2023). A further key aim was to improve the quality of EHCPs.
15. Financial aspects of the improvement plan included:
 - a. reducing the use of costly independent specialist provision
 - b. promoting support through earlier intervention
 - c. ensuring more children with EHCPs access their education in local mainstream provision.
16. A greater proportion than previously of the new demand has been accommodated in mainstream provision in 2024/25 with payments to mainstream schools ahead of budget. However, the surge in demand also meant greater use of independent schools, alternative provision and bespoke therapies due to capacity constraints in the state sector. This undermined the key assumptions in the budget. There was some offset from low spend charged to the inclusion fund budget due to the delayed timescale of implementation.
17. As part of the SEND improvement plan, the service was restructured towards the end of 2024/25 with a permanent Director of Education in post from February 2025.

High Needs Budget 2025/26

18. The high needs budget for 2025/26 is set out in the table below alongside the outturn for 2024/25 for comparison.

Table 1: High Needs Budget 2025/26

	2024/25	2025/26	
DSG High Needs Budget	Outturn	Budget	Increase
	£000's	£000's	£000's
Place Funding	14,814	18,518	3,704
Top up Funding - State Sector	34,065	33,828	-237
Top up Funding - Independent	30,704	31,237	533
Top up Funding - Post Schools	8,004	11,982	3,978
Top up Funding - Pre schools	224	374	150
Top up Funding - Excluded Pupils/AP	5,039	4,500	-539
Commissioned Services	2,439	2,809	371
Hospital Education private providers	64	100	36
Bespoke SEN /Therapies	12,070	14,238	2,168
Support for Inclusion	144	200	56
Teachers Pay & Pension Grants	1,918	2,000	82
Inclusion Fund	464	1,237	773
Early Years Central SEN support	861	1,266	405
Sensory Impaired Service	1,095	922	-173
Total Expenditure	111,906	123,211	11,305
Funding	62,034	65,708	3,674
High Needs Funding Gap	49,872	57,502	35,716

19. The 2024/25 high needs expenditure outturn of £111.9m is 80% more than the DSG funding of £62.0m. There were some non-recurring payments made in the final months of the year that had not been included in the forecast but most of the increase is likely to be ongoing as more young people were being supported by the high needs budget by March 2025 than had been expected.
20. The original budget assumptions for 2025/26 led to an expenditure estimate of £123.2m for the high needs budget, with the other DSG blocks being balanced, the funding gap was set to grow to £57.5m.
21. The new year budget would have been 16% higher than the February forecast outturn for 2024/25. Compared with the final outturn, annual expenditure growth budgeted for 2025/26 is now only 10%. This is still a considerable increase but less than historic annual growth. Funding between years has increased by only 6%.
22. There are initiatives in the SEND improvement plan (an element being invest-to-save) that should have an impact on the high needs budget over time. These include implementing the inclusion fund, creating new state funded places in special schools and mainstream resource bases, and completing the special school banding review.
23. The budget includes increased funding by £3.7m for new specialist places created in the state sector. This reflects the full year cost of new places created over 2024/25 in mainstream schools and planned new part year

- places to be created over 2025/26. This includes places supported by the outreach plus programme which is described in Appendix 1. Capital funding has been provided by the DfE to facilitate the creation of new places. Place funding (at either £6,000 or £10,000 per commissioned place) is paid to providers whether filled or not with top up funding paid according to the needs of children as they are placed.
24. The mainstream bases being created are to free up capacity in special schools to avoid placements in higher cost independent special schools, although the growth in demand has to-date prevented any budget reduction.
 25. The bases should also reduce expenditure over time on bespoke provision and therapies where the budget has been increased for 2025/26 by over £2m (18%) compared with 2024/25 actual spend.
 26. The special school banding review is not being specifically designed as a cost saving model but to better align the funding to pupil needs, share and apply equally across the 5 special schools. Legacy arrangements have yet to be aligned, and the lack of harmonised policies can mean additional ad hoc and inconsistent funding arrangements can be agreed.
 27. Post 16 provision includes SEND top up for education in mainstream colleges (including Bournemouth and Poole college), but the most significant costs and areas of growth are in post-19 provision in independent specialist colleges and other providers for young people up to age 25. This provision, as well as extending time in education for those with EHCPs created while of school age also includes new demand in the system from those over 19. The budget has been increased by £4m reflecting recent trends. Further work is required to ensure robust options appraisals lead to strong transitions into further education, training and ambitious and meaningful employment opportunities. This includes planned growth in the use of supported internships, which currently is a strong offer but to a relatively small number of young people.
 28. The £0.4m growth within the early years high needs budget includes the creation of two new “Dingley’s Promise” centres at £0.2m each, commissioned to support children in early years settings. This makes three centres across the area with a cost of £0.6m from 2025/26. Details of the service are included in Appendix 1.
 29. The forecast outturn for 2025/26 will be considered as part of the quarter one budget monitoring report scheduled for the September meeting. Placements for the new academic year are in the process of being finalised. The SEND high-cost placement panel meets weekly throughout the year with a higher than typical caseload currently. This includes for those new in the system, at education transition ages or requiring a change in provision for other reasons. The much larger caseload for lower cost provision is considered by the SEND team only and both processes will continue throughout the summer. The outcomes will provide a good starting point for the projected 2025/26 outturn. It must be recognised, however, that placements are constantly changing and assumptions for future demand will need to be updated to reflect the latest data trends, updated cost expectations and factor in invest-to-save initiatives in progress to help manage costs going forward.
 30. The activities in progress to manage costs within the high needs budget are summarised below with more detail set out in Appendix 1:
 - a. Services to help mainstream schools support pupils with SEND through an inclusion fund.
 - b. Creation of more specialist school places in mainstream schools with outreach support provided by special schools (outreach plus).

- c. Special school banding review
- d. Early years assessment centre expansion
- e. Improved post 19 support and guidance and expand the opportunities available for those with SEND.
- f. Thematic review of services and processes for education other than at school (EOTAS) and use of alternative provision (AP)
- g. Review of funding processes to ensure appropriate contributions are received reflecting the responsibilities of partner organisations.

Next steps

- 31. The service to update data for the latest trends and budget impact from the delay in implementing service initiatives for inclusion in the budget monitoring report to Cabinet in September.
- 32. The data to be reviewed for the September projected 2025/26 outturn includes the following:
 - a. Unit cost profile of provider categories compared with budget
 - b. EHCP trends including “yes to assess” data and benchmarking
 - c. Exclusion data
 - d. The cost to the council of servicing any additional debt and increased eligibility for school transport.

Summary financial Implications

- 33. A summary of the high needs block position and accumulated deficit for the DSG since the first year of BCP Council is included in Appendix 2. The table below shows the detail of the DSG deficit for 2024/25 and budget 2025/26:

Table 2: Summary position for dedicated schools grant 2024/25 and 2025/26

Dedicated Schools Grant	2024/25 Outturn £m	2025/26 Budget £m
Accumulated deficit 1 April 2024	63.5	108.0*
Additional deficit at outturn not in 2025/26 budget		5.3
Budgeted high needs funding shortfall 2024/25	28.1	57.5
High needs overspend 2024/25	21.8	
Underspend across other areas	(0.1)	
Projected accumulated deficit 31 March 2025 / 2026	113.3	170.8

* As reported in February 2025.

- 34. The £5.3m of high needs expenditure not included in the forecast at quarter three will add to the projected accumulated deficit for March 2026. Some of this expenditure was one off in nature but an element is likely to be on-going.
- 35. The deficit is carried forward in a specific negative reserve on the council's balance sheet by a statutory override that suspends the normal accounting practice (negative reserves are normally not permitted and funding sources must be found).

36. This approach was intended to be short term while the DfE found a solution to the growing DSG deficits in many councils. The national safety valve programme, within which the council developed the deficit recovery plan, has not found a solution to the problem and is now closed to new participants. The council was unable to secure additional funding through the programme, as the recovery plan did not show the high needs block being balanced within a relatively short time scale, a typical expectation being around five years.
37. The Chancellor announced in the 11 June 2025 spending review the aim to make the system more inclusive and improve outcomes for all children and young people. The government has committed to reform the current SEND system and details of the intended approach to reform will be set out in a Schools White Paper in the autumn.
38. Government recognise that local authorities will need support during the transition to a reformed SEND system. There is to be a phased process which will include the government working with local authorities to manage their SEND system, including deficits, alongside an extension to the Dedicated Schools Grant Statutory Override, which is currently due to end in March 2026, until March 2028.
39. The government intend to provide more detail by the end of the year including a plan for supporting local authorities with both historic and accruing deficits. More details will be set out at the provisional Local Government Finance Settlement in the autumn.
40. The council's general fund is impacted by the increase in children with SEND or otherwise unable to attend school through increased eligibility for free school transport. The budget for 2025/26 provides an additional £2.1m for these costs to allow for rising demand and inflationary factors. A project is currently underway to establish how costs can be reduced through better analysis of routes and more efficient commissioning.
41. The general fund also incurs the cost of interest in providing the cashflow for the accumulating deficit with £7.5m allowed in the budget for 2025/26 and further amounts for future years of the MTFP.

Summary of legal implications

42. There is a statutory framework for providing support for pupils with high needs and limitations in how this can be funded with the council having limited legal options available to reduce expenditure.

Summary of human resources implications

43. There are human resources implications from this information report.

Summary of public health implications

44. None

Summary of equality implications

45. None

Summary of risk assessment

46. There is a risk that invest-to-save initiatives cost more than can be saved. If new state provision is created but places remain unfilled the fixed costs of either £6,000 or £10,000 per place are still incurred. Private sector places are paid for only when filled (with notice periods for withdrawals) but vacant

- periods will be built into their pricing. The cost of state provision is generally lower than that of the private sector. The volume of places required means that places are unlikely to remain unfilled, though this volume in itself creates a pressure.
47. There is a risk that children with lower needs will be placed in the new provisions because it is available or to avoid wasting the fixed place funding. Top up funding as places are filled might then be incurred that should have been avoided. If additional places are filled too early there may not be one available when needed with more costly providers being used. Robust SEND Panel decision-making mitigates this risk, as does the development of resourced provision for children who, with additional support can have their needs met in mainstream schools (as per the direction of travel of the DfE).
48. There is a risk that other initiatives will not deliver the planned benefits and may instead escalate demand further.

Background papers

49. DfE letter July 2023, the Local Area Partnership's progress against its SEND Written Statement of 2021 was reviewed by the Department for Education (DfE). This identified that insufficient progress had been made with regards to the service provision and associated outcomes for children and young people accessing this service.
- [Appendix 2 Written Statement of Action Dec 21.pdf](#) [Appendix 2a BCP Statutory Direction 8 April 2022.pdf](#)
50. A Statutory Direction 2024 issued to the Local Authority that directed the organisation to improve the quality and timeliness of its services to meet statutory expectations. A new SEND Commissioner was appointed, alongside the development of a new SEND Improvement Plan; this was signed off by the DfE in February 2024. A key thrust of this plan was to ensure that no children in Academic Year 23/24 would experience a delay and that all historic assessments or plans requiring actions would be met.
51. [Appendix 1 SEND Statutory Direction BCP Childrens Services 26 February 2024.pdf](#) [Appendix 3 SEND Improvement Plan - 25.06.24.pdf](#)
52. Cabinet report 2 October 2024 with projected year end high needs forecast for 2024/25
- [High Needs Schools Grant Expenditure Forecast.pdf](#)
53. CIPFA Report - Five key reforms to fix England's broken SEND system
- <https://www.cipfa.org/about-cipfa/press-office/latest-press-releases/five-key-reforms-to-fix-englands-broken-send-system>

Appendices

Appendix 1 – Budget Management Activities for SEND Pressures

Appendix 2 - DSG high needs block and accumulated deficit trend 2019-2029.